

Developing a Market Plan

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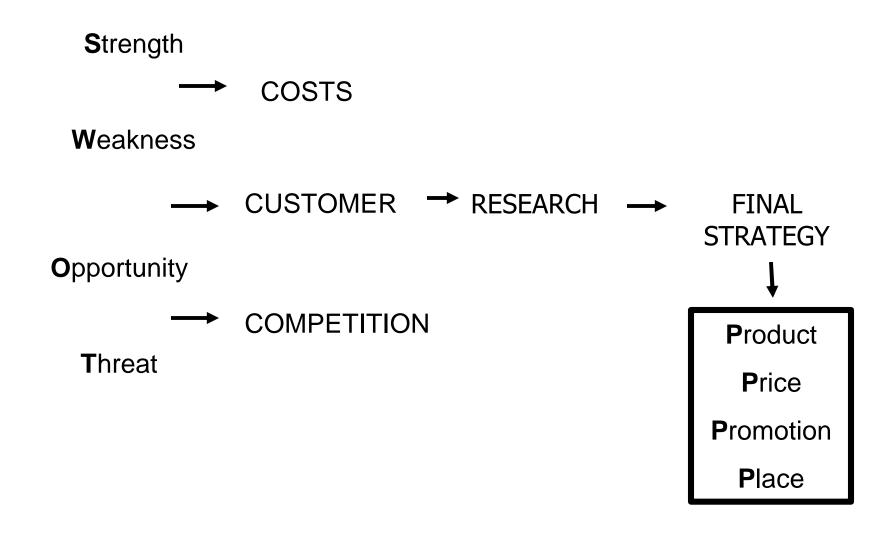


Overview

- \$ Analyze strengths, weaknesses, opportunities and threats
- \$ Research customers, costs and competition
- \$ Develop the marketing mix using product, price, place and promotion
 - \$ Focus on agritourism, a service, this year



Strategic Marketing Plan





Marketing Component

- Focus on strength, weakness, opportunity and threat (SWOT) analysis of your three Cs:
 - Customers
 - Costs
 - Competition
- Market research on marketing mix:
 - Product
 - Price
 - Place
 - Promotion



SWOT Analysis

- Internal => External
- Strengths => Opportunities
 - Weaknesses => Threats
- Analyze:
 - Company perspective
 - Competition's perspective
 - What can be emulated or learned?



Examples:

- Business Strengths
 - □ Good management
 - Untapped personal business skills
 - Location with high amenities
- Business Weaknesses
 - □ High employee turnover
 - Dated facilities in bad location
 - □ Poor financial records
 - □ Poor location for chosen business strategy



Examples:

- Market Opportunities
 - □ Change in consumer tastes & preferences
 - □ Available federal grant money
 - □ Research proving health benefits
 - □ Zero to slight competition from others in your region
- Market Threats
 - Research indicating product is no longer safe for consumers' health
 - New entrants into the market
 - Supermarkets selling own brand of "organic beef"
 - □ Existence of substitute products, or the inability to truly differentiate your product from others



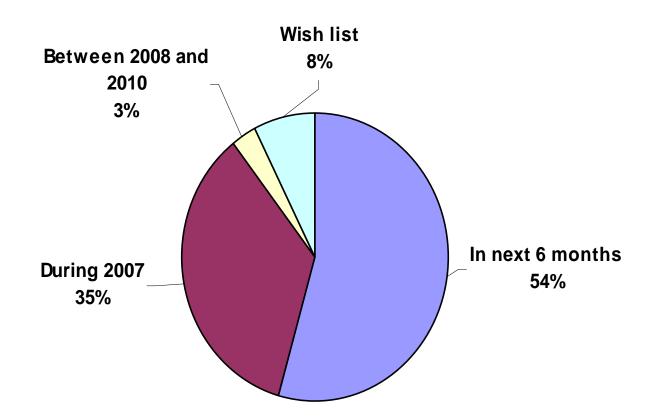
Why Agritourism?

- The travel and tourism industry has become increasingly important in the Intermountain West:
 - □ In 2000, the industry contributed more to gross output than either agriculture or oil and gas extraction
 - □ 90% of total employment in some counties is in the industry.
 - □ A total of 106 Western rural counties had more than 1,000 travel and tourism jobs in 2000
- From the early 1980s to the late 1990s, the basic travel and tourism industries' share of gross state product grew about 20 percent in Colorado.

Source: Federal Reserve Bank of Kansas City, Economic Review, 2003.

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Future plans to visit Colorado for Agritourism



52% of all respondents who plan to visit Colorado (or an area of CO where they don't live) said agritourism would be a primary or secondary reason for their visit (n=524)



SWOT Analysis: Your Company

- What does your company do very well? What are your company's weak areas?
- Where is your company most competitive?
 - □ Why?
 - What's the difference between your product and others?
 - □ What services or attributes set you apart?
 - □ How do you leverage this competitiveness?



SWOT Analysis: The Competition

- Where is the competition?
- Where are they trying to go?
- What is their plan of action?
- What are their perceived obstacles?
- What timeframe will they use?
- How can you measure their success?
- What can you emulate?



The Three Cs Of Marketing

- 1. Customer
- 2. Costs
- 3. Competition



1. The Customer

- What unique value does your product bring?
- Who are your customers/clients? Describe them.
 - Demographics: age, gender, income, etc.
 - Psychographics: motivations, interests, causes
 - Purchasing/consumption behavior: buying patterns
- Where do you find your customers?

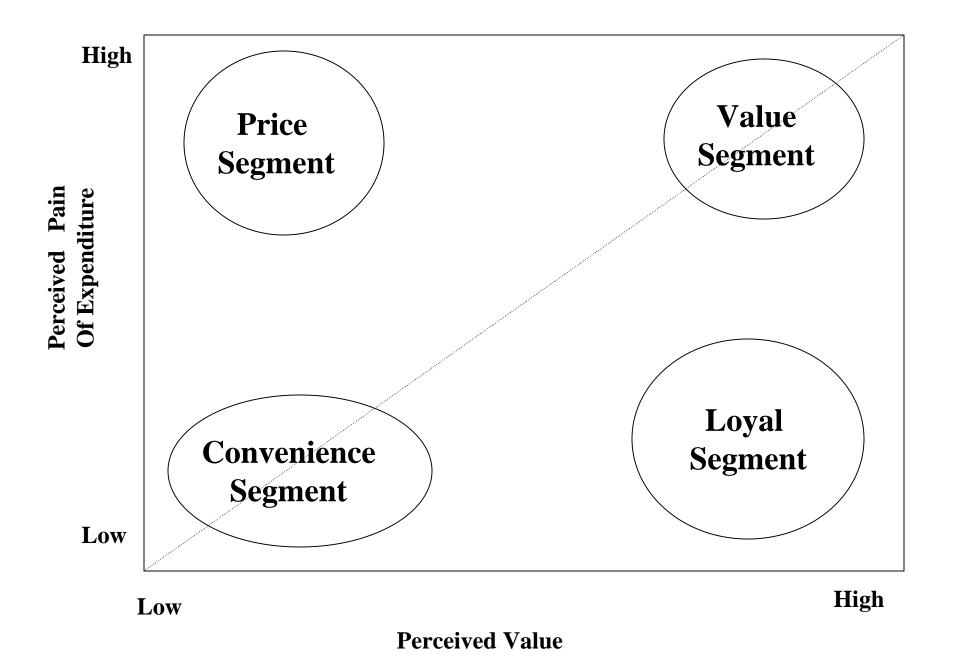


Who are Colorado's

"Agritourists?"

- Of those travelers who came to Colorado to participate in agritourism in the last 2 years:
 - □ Average age was 46 years old
 - □ 37% had incomes over \$75,000/year; only 12% earned under \$30,000/year
 - ☐ Family status (73% married):
 - 20% are young parents w/children under 6;
 - 15% are older parents w/kids;
 - 15% are retired couples;
 - 15% are young couples-no kids
 - □ 90% identified themselves as White (7% of whom indicated Hispanic ethnicity)
 - 57% came from out-of-state (AZ, NM or UT)
- → Corresponds to other surveys on general & heritage traveler characteristics

Segmenting Markets by Influencers





Target Segments

- Loyal are return customers and visitors…less worried about costs
- Value segment are hardest to keep happy, but do recognize and value quality
- Convenience segment are those you can get to make impulse buys/visits...less price sensitive
- Price segment is not too attractive unless you compete entirely on price



2. Your Costs

- Know variable costs of producing your product
- Realize there are fixed costs that must be paid, whether you produce your product or not
- Use variable and fixed costs to calculate the break-even point where costs are covered
- Compare break-even with industry standards
- Financial analysis:
 - ☐ Given the numbers and value perceived by the customer, can you feasibly go into production?



Product Benefits and Costs

- Tangible Those product benefits (costs) that are easy to measure, "features." Tangible attributes come through in the product design
- Intangible: attributes that are not easily measured. Sales and promotion will often be used to establish intangible attributes in lieu of product design.



3. The Competition

- From SWOT analysis, assess your business' strengths and weaknesses compared to your competitor's
- Emulate your competition's strengths and overcome their weaknesses
- Differentiate your product so the competition's product is not substitutable or at least not to a specific target market



Average satisfaction with agritourism activities

(1=Extremely Satisfied, 5=Not at all Satisfied)

On farm/ranch activities

Fishing (including winter ice fishing)

Hunting (guided or unguided)

Trap & skeet shooting

Agritainment: corn maze, pumpkin patch, etc.

U-pick operation (produce, Christmas trees)

Food-based activities

Children's camp	1.00	Farr	mer's markets	1.49
Dude or guest ranch	1.00	Llon	vest and food festivals	1.66
Hay rides / sleigh rides	1.25			
On farm/ranch get-a-way (quiet, scenic area)	1.25	Othe	er food and culinary experiences (cheese, jam, cider)	1.67
Corporate/special events (weddings, retreats, reunions)	1.30		obrew tour, visit and/or tasting	1.67
Off-road motorcycling, ATV, mountain biking	1.40	Win	ery tour, visit and/or tasting	1.70
Wilderness guiding and outfitting	1.40			
Photography / painting/nature based art	1.41		Heritage activities	
On-farm or ranch water activities	1.43			
Camping / picnicking	1.49	Barr	n dances, hoedowns, square dancing	1.25
Farm/ranch work experience	1.50	Rod	eo/livestock activity (Stock Show, county fair)	1.64
Snowmobiling, cross-country skiing	1.50	Histo	orical museums and sites (ag history)	1.73
Guided tour of farm/ranch (archaeologic, historic sites)	1.50		rage Satisfaction with All Activities	1.58
Horseback riding	1.60			
Bird watching & wildlife viewing	1.60			
Bed & Breakfast (rural, historical, farm- based)	1.68			_
Seeing, handling farm/ranch animals	1.70		Generally, satisfaction was qui	te
School & educational tours and activities	1 75		1.1.1.6.4.114141	

1.81

2.00

2.00

2.11

2.50

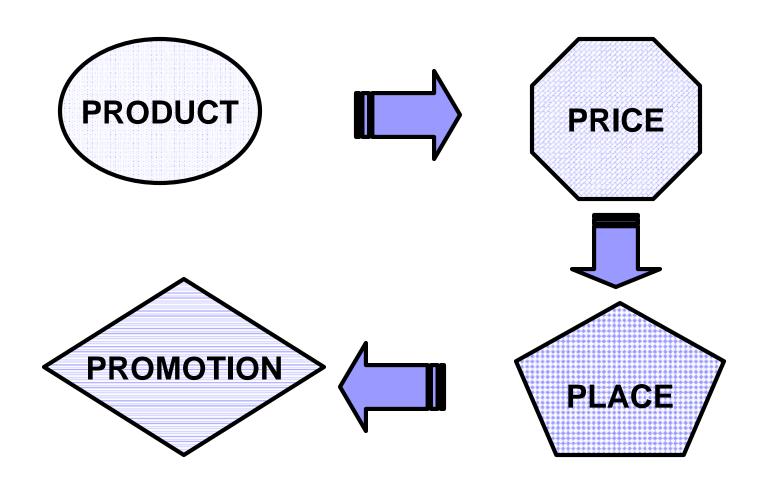
Generally, satisfaction was quite high for all activities

Red: Very high

Blue: Relatively low

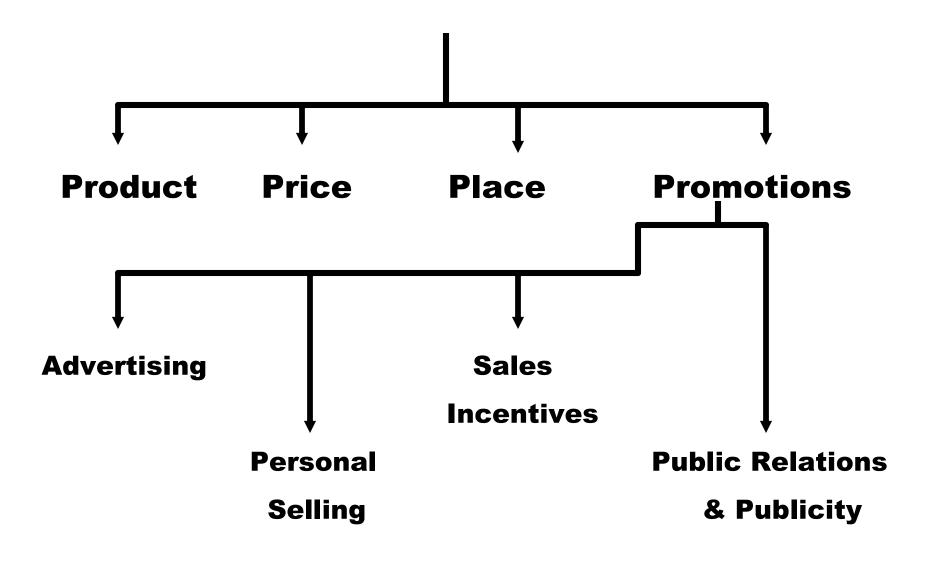


The Marketing Mix





Marketing





1. Product (or Service)

- Goods that satisfy the needs of a target market should have the following characteristics:
 - □ Physical features (design and packaging)
 - □ Branding and image/personality
 - □ Degree of customer service: products and services
 - Consistent quality, supply or experience
 - Pricing to cover costs & generate required margins or returns



Horizon Dairy's Product Package

Organic-anti-"all the bad things"

- Happy Cows
- Fun for the kids
- Variety
- Convenience
- Advocating farms through education and policy





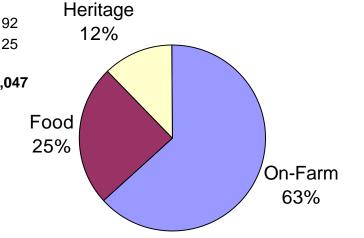




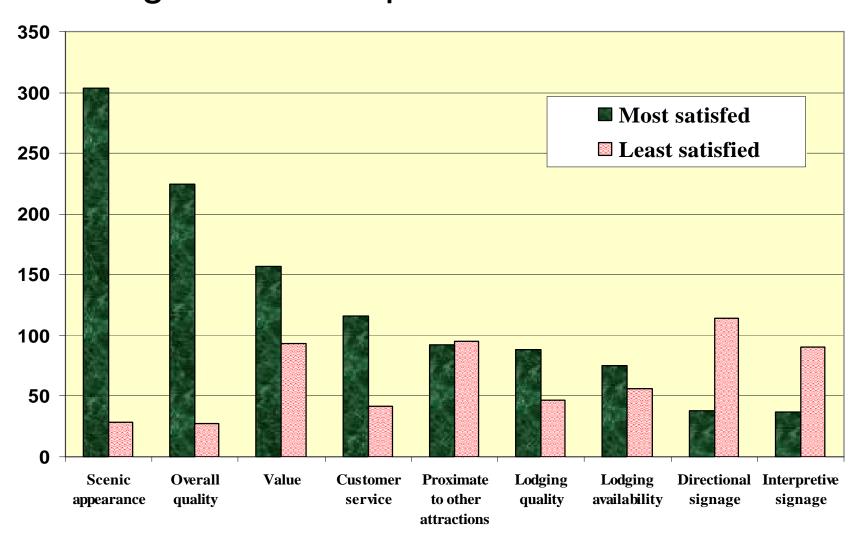
Colorado Agritourism Product Portfolio

	Top Agritourism Activities (out of 434 respondents)	Participation
	Camping / picnicking	123
On farm or ranch	Photography / painting/nature based art	101
	Bird watching & wildlife viewing	90
	Fishing (including winter ice fishing)	64
	Horseback riding	57
	Corporate/special events (weddings, retreats, family reunions)	45
	Farmer's markets	93
Food	Microbrew tour, visit and/or tasting	49
	Winery tour, visit and/or tasting	47
	Historical museums/sites (ag history, machinery, pioneer	00
Heritage	cabins) Redee or livesteek based activity (Steek Show, county fair)	92 25
_	Rodeo or livestock based activity (Stock Show, county fair)	25
	Total Participation-more than one for some respondents	1,047
	464 respondents (about 52%)	Foo

404 respondents (about 52%) participated in no agritourism activities during their last Colorado trip

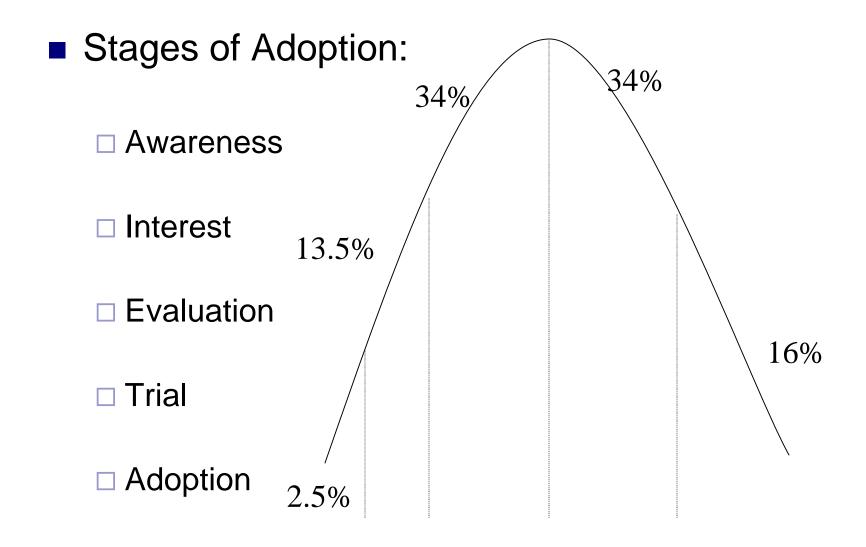


Other factors influencing consumers' agritourism experience in CO





Product Adoption and Diffusion





Product Life Cycle

- Stages
- Development
- Market Introduction
- Market Growth
- Market Maturity
- □ Sales Decline

- Primary Activity
- □ Market Research
- □ Promotion
- Develop Customer Loyalty
- Pricing
- □ Shift, Adapt or Exit

Future Market Potential:

Travelers' indications of their future participation in agritourism activities (1=Definitely, 5=Definitely Not)

Farmer's markets	2.48
Camping/picnicking	2.50
Historical museums and sites	2.68
Other food and culinary experiences	2.76
Harvest and food festivals	2.78
Photography / painting/nature based art	2.88
Winery tour, visit and/or tasting	2.99
Bird watching & wildlife viewing	3.02
Microbrew tour, visit and/or tasting	3.11
Bed & Breakfast	3.21
Rodeo or livestock based activity	3.27
Fishing	3.27
Horseback riding	3.28
On farm/ranch get-a-way	3.38
Guided tour of farm/ranch	3.47
Agritainment: corn maze, pumpkin patch, etc.	3.47
On-farm or ranch water activities	3.47
Corporate or other special events	3.49

	_
Seeing, handling farm/ranch animals	3.50
Hay rides / sleigh rides	3.55
Snowmobiling, cross-country skiing	3.61
Barn dances, hoedowns, square dancing	3.73
U-pick operation	3.76
Off-road motorcycling, ATV, mountain biking	3.76
Dude or guest ranch	3.77
School & educational tours and activities	3.80
Wilderness guiding and outfitting	3.89
Farm or ranch work experience	4.07
Children's camp	4.16
Trap & skeet shooting	4.21
Hunting (guided or unguided)	4.24

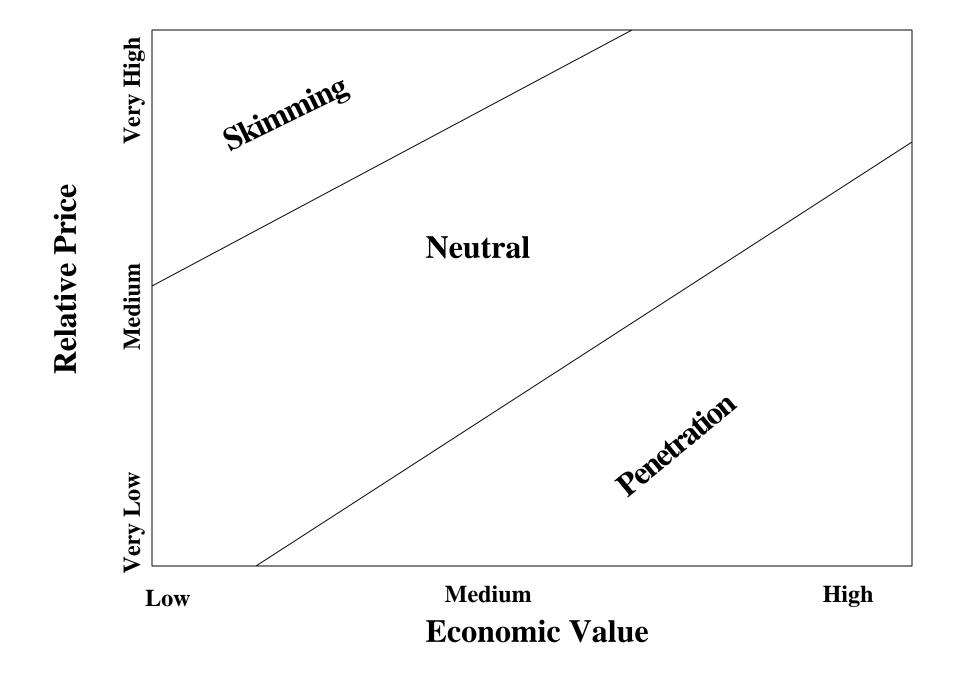
Out of 492 respondents, 211 in-state & 281 out-of –state.



2. Price

- Set prices based on:
 - □ Value-based pricing (match price to perceived value by customer, brand loyalty, customer oriented price)
 - Competition-based pricing (match prices to similar products of your competition)
 - Cost-based pricing (set price dependent upon production costs)
- Use discounts or incentives to boost sales but with a specific goal in mind
- Price strategies include challenge to get most of consumer budget on your product/service

Generic Pricing Strategies





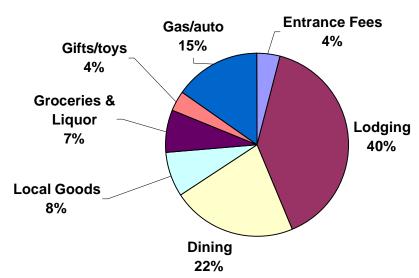
Pricing Strategies

- Remember our segments??
 - □ Loyal and Convenience consumers can be highest revenue potential...skimming
 - How do you find these for products and services?
 - ☐ First time buyers and visitors may be attracted through penetration…low or at cost pricing
 - Most sales are neutral, but good pricing strategies can help increase revenues from those who are less price sensitive
 - Out of state visitors??



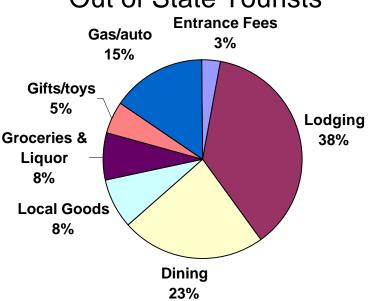
What is their Economic Contribution?

Colorado Tourists



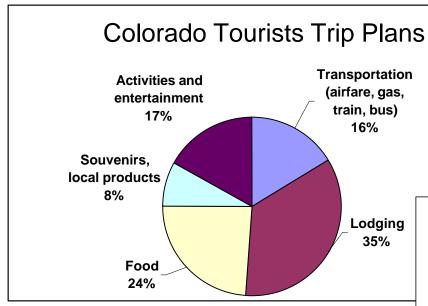
 Out-of-state tourists spent an average of \$860 on last trip to Colorado: important as it is a greater impact Colorado tourists spent an average of \$368 on last trip to Colorado that involved agritourism

Out of State Tourists



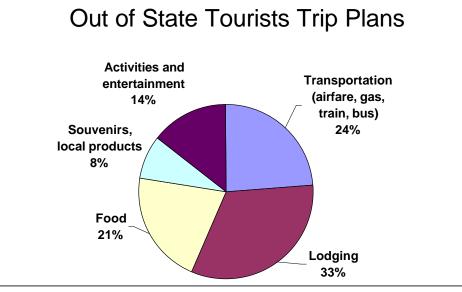


Expected Travel Expenditures for Future Visit to Colorado



Coloradans expect to spend \$450 on next trip

Out of state visitors expect to spend \$1,023 on next trip (2.3 times as much as instate travelers)

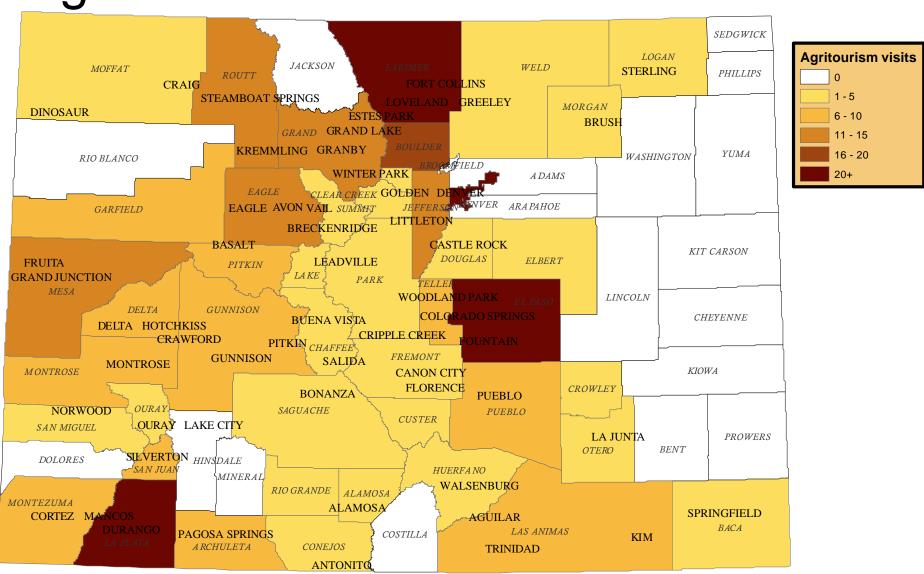




3. Place – Distribution Channel

- Strategic elements of location
- Where customers purchase product or service, how purchase is made
- Product must be at the right place, at the right time, in order to sell & provide profit to producer
- Channels include:
 - □ Direct sales, internet sales, broker or distributor
- Determine customer service level by your firm

Colorado Areas Visited for Agritourism





Exploring Place and Distribution: Matching the Product Strategy

- Product Demand Characteristics:
 - □ Product life cycle, product variety, lead time to market, flexibility of delivery
- Functional and Innovative?
 - Functional a staple that people buy and have adopted
 - □ Innovative "New," "Unique"
 - unpredictable demand
 - short life cycles
 - understanding emerging consumer interests



Key Point

- Marshall Fisher, Harvard Business Review
- "Functional Products require an efficient process;
 innovative products a responsive process."
- For services, can you create revenue streams from understanding consumer needs/interests...sometimes on the spot
 - Example: Pumpkins at corn mazes, local foods at wineries, food stands and farm tours along transportation corridors



Commodity vs. Innovation

- Commodity Product or Well Known Service:
 - The challenge isn't to differentiate the product, but instead, to focus on the most efficient production and logistical strategies, good location, and to provide low cost, reliable supplies to buyers.
 - ☐ This will tend to be higher volume and focus mostly on capital and information management improvements.
- Innovative Product or Unique Service:
 - □ These are customized products that are differentiated to attract a particular target consumer segment
 - □ Local assistance and partners are invaluable and the long term feasibility of the project may be enhanced if the marketing plan is coordinated with others and executed well.
 - Some lessons may be drawn from customer discussions rather than more formalized market surveys and studies.



Establishing A Distributor or Partner Relationship

- Product viability: must assure the product or service will benefit distributor, retailer or partner
- Market research: inform partner where your product fits in marketplace among consumers; emphasize uniqueness or appeal
- Costs: average of \$0.25-0.30 is spent on partners' share for each dollar of expected sales
- Fit: choose one who carries complementary product lines; visit stores they service



4. Promotion

- Includes advertising, public relations & sales promotions
- Influences attitudes & buying behaviors of customers in a target market
- Should encourage product purchase & market expansion
- Important for positioning a product in the market



Promotional Objectives

- Stimulate sales
- Differentiate product offerings in varying markets
- Share information
- Accentuate value of product
- Stabilize seasonal demand

Source: Lou Pelton, David Strutton, & James Lumpkin. 1997.

Marketing Channels: A Relationship Management Approach, pp 99-109.



Promotional Methods

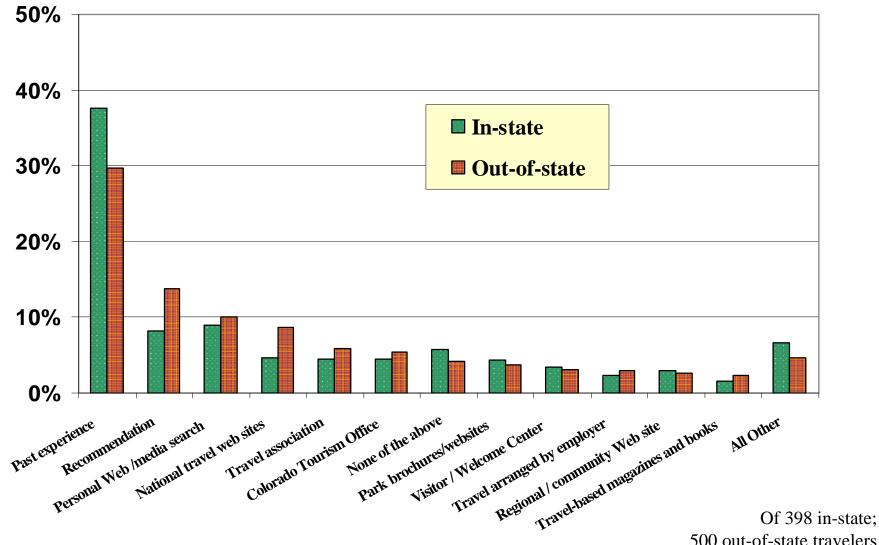
- Advertising: newspaper, television, magazine, radio, Internet, billboard
 - □ Does your business have a unique story?
- Public relations: community service or events
- Sales promotions: point-of-purchase displays, trade shows, exhibitions and demonstrations (free samples)
- Word of mouth

Source: Lou Pelton, David Strutton, & James Lumpkin. 1997.

Marketing Channels: A Relationship Management Approach. pp 99-109.



Resources consulted prior to travel



500 out-of-state travelers.

54% used 1 information source; 18% used 2 sources; 11% used 3 different ones. Multiple responses given

When Promoting Your Product...

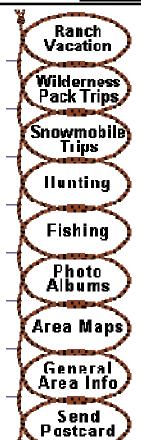
- Determine desired message you want your customers to have about your product
- Set goals promotion will accomplish either public relations for your business, increasing product sales, or nurturing loyal customers
- Design a budget for promotional expenses; determine which promotional strategies will fit your budget and goals



RIMROCK DUDE RANCH

Member of The Dude Ranchers Association









Innovative Marketing Ideas

- If you are looking to diversify your operation by including agritourism activities on your farm/ranch, or food based business
- Colorado Department of Agriculture
 - http://www.ag.state.co.us/mkt/agritourism/tours.html
- Agri-Business Council of Oregon, Workbook
- Agricultural Marketing Resource Center
- Agriculture Innovation Center
- Eckert AgriMarketing
- USDA-Natural Resources Conservation Service



References & Additional Resources

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